

## THEORITICAL FRAMEWORKS

### **Maslow's Theory Of Covid-19 Commerce: How The Pandemic Exposed Our Hierarchy Of Needs**

As we approach the one-year anniversary of Covid-19-related lockdowns, Americans' shopping patterns during the months of the pandemic offer a revealing snapshot into our fluctuating stress levels.

E-commerce overall was up 44% last year. That's a dramatic increase, but it doesn't tell the full story. The changes in our shopping behaviors varied dramatically by product category over time and closely reflected the course of the virus.

The year in shopping seemed to play out in the commerce version of Maslow's hierarchy of needs, which Abraham Maslow used to explain how human focus moves from the basics to security to higher-level fulfillment.

As we review the wild fluctuations in retail demand over the last year, I believe Maslow's theory helps explain what transpired and offers clues for what's next. The first e-commerce spike came in March as states issued stay-at-home orders. The reaction, from many, was predictable: panic. My company found that consumers stockpiled with a focus on the two Gs — groceries and gold. (Signifyd's data is derived from online transactions completed on its Commerce Network, a global sample of thousands of merchants selling in more than 100 countries and serving more than 250 million shoppers.) Early in the pandemic, The Food Industry Association found that online grocery sales increased 300% over pre-pandemic levels, [Supermarket](#)

News reported. Sales of gold bars shot up 123%, according to Signifyd transaction data.

Shoppers emptied in-store and virtual shelves of toilet paper and hand sanitizer. When the toilet paper ran out, there was reportedly a run on bidets.

Top ArticlesIt was our own version of preparing for the zombie apocalypse. Mega-store operators, including Amazon, stopped accepting shipments of everything but essentials. This created challenges for sellers, which likely marked an "aha moment" for many: To better control their destiny, they could go direct-to-consumer.

## **From Freaking Out To Hunkering Down**

By April, the shopping situation appeared to be stabilizing. Consumers gained confidence about being able to get necessities. They also realized they were going to be stuck at home for the foreseeable future. Their shopping patterns seemed to shift accordingly.

Signifyd's shopping data that month revealed an astounding 682% year-over-year increase in the online sales of media, toys, hobby items and games. If people could afford to, they spent to keep the family entertained. Orders for musical instruments, for instance, flooded into enterprises such as Sweetwater (a Signifyd customer), where the company CEO found himself packing boxes to keep up with demand.

The abrupt change caught many online retailers off guard. After all, who buys musical instruments in April? In my experience, those are usually back-to-school and holiday-season purchases.

But unprecedented times mean history is no guide. Workers weren't commuting, and with the pandemic restricting where people could go, many now had a few spare hours for the first time in years.

As it dawned on people that this situation was going to last, we also saw a spike in purchases of virtual learning devices for the kids, whether it was a Chromebook, an iPad or a laptop. At the same time, people began upgrading their home office setups. Electronics sales in April rose 159% year-over-year, Signifyd data shows, and surged again at back-to-school, MarketWatch reported.

Sporting goods flew off the shelves around the same time, with sales up 267% over the previous April, according to Signifyd data. The surge was reflected in earnings for players such as Dick's Sporting Goods.

Call it the great dumbbell shortage of 2020. Because they were unable to go to the gym, folks sought to recreate their workout spaces at home. As a result, new venture funding poured into companies like Tonal and Tempo, which provide at-home exercise experiences.

## **Stuck At Home**

Another big shift I saw was the explosion in demand for major home appliances, remodeling and garden overhauls.

Home furniture demand skyrocketed, with lead times reaching months at some companies. Sales of home goods and decorative items hovered at 144% above their year-ago performance in September, according to Signifyd data. The logic was easy: If you were going to be stuck at home for months, it was easier to justify buying a nice couch.

By year's end, a very human urge was evident to me in our data — the desire to connect. Connecting in person was generally impractical and unsafe. And so, those who could afford to upped their gift-giving game. We found that gifting, defined by online orders bought from one address and shipped to another, was up 13% year-over-year in November and December.

## **Takeaways For E-Commerce**

Once Covid-19 is finally in the rear-view mirror, we'll hopefully never experience anything like it again. But even if this is a historical one-off, the last year still offers useful lessons for merchants as they think about the future of e-commerce. Some takeaways for consideration include:

- Selling direct-to-consumer not only provides a closer relationship with consumers and a raft of valuable data, but also means your customers can buy from you whether physical stores are open or closed and no matter what your resale channels' product priorities are.
- Self-actualization occurs in context, which is important for demand forecasting. When consumers are stuck at home, self-actualization is a beautiful kitchen with new appliances. When herd immunity arrives, travel and dinners out may fill that Maslowian need.
- Beware of self-satisfaction saturation. A person needs only so many office chairs, brick pizza ovens and barbell sets. Big-ticket buying will change and may taper.

There are lessons in Covid-19's sudden appearance — about our meager abilities to predict the future and therefore our meager ability

to predict consumers' wants and needs. It turns out that we can't always look to the past to anticipate what shoppers will buy in the future. Their hierarchy of needs might be different next year and the year after that. How do you prepare for that kind of world? We know there will be some hierarchy of needs. It's best to prepare by also knowing that it might not be the hierarchy you're planning for.

**1** COVID-19 presented the world with a severe loss of life and impact, which has no geographical bounds or expected time to when its effects will subside. It has affected countries across the globe, disrupting economic levels and businesses in every industry while also altering individuals' everyday lives. The current research aims to examine the impact of coronavirus pandemic on entrepreneur's business activities and their perceptions on the difference in consumer behavior during this time. The findings reveal the pandemic negatively impacted business productivity and profits, forcing many businesses to physically close permanently. Surprisingly, female entrepreneurs do not perceive a change in consumer behavior compared to pre-COVID-19 times. Interestingly, the results indicate there is a negative impact on employees' efficiency to conduct work in which almost no research has conveyed such a finding. For this purpose, a survey was conducted with 445 responses from male and female entrepreneurs in the capital city of Riyadh, Saudi Arabia, using a simple random sample over the period of four months. Ultimately, this research will help entrepreneurs gain more knowledge and a deeper understanding of this new environment

necessary to undertaking certain measures and adaptability in order to sustain their businesses during unprecedented times.

## **Keywords**

- Coronavirus;
- Entrepreneurship;
- Consumer Behaviour;
- Saudi Arabia;
- Employees
- Individual lifestyles, social interactions, culture, economic activity, and government policies have been significantly impacted by COVID-19. It has also affected and forced businesses to develop different methods of conducting business (Puriwat et al., 2021).

The fast pace at which novel medical technologies are being developed together with the different new ways the pandemic is handled will consequently lead to an increase in entrepreneurship (Kuckertz et al., 2020). Since the beginning of 2020, entrepreneurs have been experiencing difficulties in selling their products and services whilst facing deficiencies in important raw materials, particularly from China in which many entrepreneurs rely on their exports. The rise of the coronavirus pandemic (COVID-19) has created significant impacts on the global economy and affects all types of activities (Giones et al., 2020; Zhan, 2020).

Furthermore, policies of shutting down are impeding many importing and exporting facilities around the world. Entrepreneurs are facing problems with product availability that in turn, hinder their abilities to satisfy the customers' needs as a consequence of COVID-19. Emergent from China

and spread to the rest of the world, COVID-19 is a new variant of coronavirus from the SARS family that has caused a drastic variety of changes across the world that governments have been struggling to slow its spread. Throughout history, humans have faced many crises that have later become essential to society's development because such crises forces governments to work on developing and improving healthcare systems and to apply a plethora of modern technologies (Abdul, 2020). Therefore, all countries have applied a variety of precautionary measures with the aim to slow this virus spread such as enforcing social distancing policies, closing many organizations and posing restrictions on work. Yet, such measures lead to significant impacts on trade, economic levels and business levels. Businesses are considered to be essential elements to supporting communities in recovering from the economic consequences of coronavirus whereby applying innovations facilitate the prosperity of societies after the current pandemic (Karimi et al., 2020).

Due to the economic impact, some businesses such as restaurants, tourism operators, and movie theatres have been forced to stop their work completely. In addition, there has been a significant decrease in demand for consumer goods as a result of the inability of customers to visit stores or in the shortage of cash needed for purchasing to which enterprises have found themselves forced to change their commercial approaches. Likewise, online businesses have been experiencing problems in fulfilling customer needs due to the shortage of products. Thus, the current research will illustrate the effects of the coronavirus pandemic on businesses and consumer buying behavior (Pymnts.com, 2020; Jebril, 2020).

## Literature Review

Entrepreneurs are known to be more innovative and greater risk-takers than non-entrepreneurs due to their capabilities in responding and adapting to market needs (Ratten, 2020). The strong self-efficacy and motivation inherent in the characteristics of entrepreneurs enables a flexibility and independence to capture opportunities in the market (Alessa, 2021). In this manner, Liguori and Winkler (2020) contend that entrepreneur's global influence will continue to grow since their adaptive traits aid their reactions during times of crises. With the meager knowledge and the uncertainty revolving around the duration of this new widespread virus, the large-scale disruption on society imposes a plethora of a variety of problems that differ based on geographical location (Ratten, 2020). Therefore, the sharing of knowledge and other forms of cooperation are needed to help alleviate the strains caused by the pandemic. Experimenting to obtain improved results is constituent of entrepreneurship, which is beneficial in "repurposing existing processes to cater more for COVID-19 needs" (Ratten, 2020, p. 504) hence, emphasizing a need for a deeper understanding of how entrepreneurs are impacted and are reacting to the current environment.

Over a recent period, there has been a trend toward digitalization, which has been exponentially accelerated by the pandemic. New technological advances have been changing traditional practices in almost every industry and have also changed the habits and behaviors of consumers). More than ever, the role of technology is at crux of ensuring that all types of activities can continue (Ryandono et al., 2021).

A report by Craven et al. (2020) highlights the impact of the pandemic on consumer behavior, conveying that there is a significant surge in e-



commerce, change in brand preferences and decline in discretionary spending. The report also includes the varying challenges retailers face across multiple dimensions from sales and marketing to assortment. The heightened utilization of digital tools since the start of the pandemic has been blurring the lines between personal life and work and between domains such as finance and mobility (Puttaiah et al., 2020). There has been a drastic spike in downloads for business and videoconferencing apps, 58% of US consumers stated they were spending more money online and 42% indicated they have been purchasing more through mobile devices since the start of COVID-19 (Puttaiah et al., 2020).

In the last two decades, China witnessed great prosperity at the economic level and is now considered one of the necessary countries to improving the economies of other countries around the world. China plays an important role in the global economy with 20% of manufacturing products produced in the region that countries across the world use, particularly manufacturing organizations (Zhan, 2020). Accordingly, the current pandemic imposes challenges not only to China, but also on all other countries in the imports of necessary products and materials. For instance, Malaysia mainly depends on Chinese products therefore; its sales rate of businesses has significantly decreased. Moreover, online businesses are facing significant losses just as are public and private organizations in Malaysia (Abdul, 2020). In light of the current pandemic, governments are imposing higher levels of restrictions on individuals as well as on businesses. Consequently, this has led to significant challenges in the world's economy and on individuals' wellbeing to a greater extent (Varshney & Varshney, 2017).

In particular, the machinery and automotive industries are largely impacted by the coronavirus pandemic while the retailing industries have been forced to close outlets. Hence, this situation has been identified to impede many businesses around the world. It should be noted that many major cities have decided to close down and apply social distancing measures that all intend to enhance users' activities through utilizing online platforms related to shopping in Malaysia, for instance (Karimi et al., 2020). According to recent research, it has been found that the utilization of online retail platforms and mobile apps have gained a significant increase in inactive and new users, while an increase in the number of online platforms have been recorded from the first week of March 2020 (Jebril, 2020). It has been noted that there is a significant development in the total number of active and new users during the second week of March 2020 and it had also been expected that the rate of active users in online platforms would continue to increase compared to the number of users in January and February. Many of the new and active users in online platforms are mainly focused on websites that provide food delivery services. In the countries of South East Asia such as Taiwan, Malaysia, Thailand, Hong Kong, and Singapore there had been an increase in online traffic in food delivery sites (Karimi et al., 2020). According to research, the rise in demand and traffic were analyzed during the initial period of March, which indicated a large increase in the number of active and new users in which the increasing rate of traffic is related with the passage of every day since March 2020 ([Pymnts.com](https://pymnts.com), 2020).

Due to uncertainty and fear, the enterprises profits are likely to be decreased as a result of the effects of COVID-19. The implications at the economic level would not only affect public health systems, but also

travel, trade, food and agriculture industries, and retail chains. The new virus caused shifts at the economic level since it encouraged social distancing, which in turn, lead to the shutdown of financial markets, businesses and social events. In order to handle such a crisis, many organizations have conveyed the concept of citizenship as they practice their roles in community wellbeing by giving-up short-run profits for the benefit of the society, while also displaying the concept of resourcefulness as they work to develop innovative responses to the new challenges with their limited resources. Furthermore, many enterprises have been forced to not only cut costs, but also to become involved in new entrepreneurial activities. Importantly, the lack of ventilators in intensive care units drove health-care enterprises such as Drager and Philips to increase their production ([Ahmad & Hui, 2020](#)). Therefore, this research attempts to answer two main questions:

RQ1. Does the coronavirus pandemic affect entrepreneurs' businesses?

RQ2. How does the coronavirus pandemic affect consumer behavior?

## **2.1. Consumer Behavior**

The significant negative impact of the current pandemic institute's particular restrictions and measures by governments that people need to follow and act accordingly as customers. In this manner, the behavior of customers influences, to a significant extent, the demand of business activities. On the other hand, the purchasing behavior is impacted by the closing down of businesses around the world with shortages in products and services. Thus, customers would mainly rely on online platforms to meet their necessities ([Hasanat et al., 2020](#)).

Ultimately, customers' engagement become consequences and antecedents in the process of value co-creation that reflect customer behavior, emotion and cognition ([Brodie et al., 2013](#)), while the engagement of customers has an impact on the value of co-creation ([Oyner & Korelina, 2016](#)). This is reinforced by [Storbacka et al.'s \(2016\)](#) argument that "actor engagement [is] a micro foundation value [to] co creation". This demonstrates that information sources play a major role in consumer behavior during the COVID-19 pandemic ([Laato et al., 2020](#)). [Miri et al. \(2020\)](#) observed panic buying throughout the pandemic. However, in some countries, individuals bought products such as canned foods, paracetamol and hand sanitizer to prepare for the symptoms of coronaviruses such as nausea, diarrhea, and vomiting ([Miri et al., 2020](#)).

Other reasons for unusual purchasing might include social pressure for "people feared they would be left without necessary products unless they purchased them immediately" as a result of the large increase in food purchases ([Goodwin et al., 2009](#)) with the environment being a major influence on consumer behavior ([Joshi & Rahman, 2015](#)). In addition, the perceived risk of consumers refers to the decision-making behaviors of consumers due to uncertainty that causes negative consequences. The negative consequences produced by perceived risk are multiplied by poor branding ([Mitchell, 1992](#)). The perceived risk is derived from uncertain and unforeseen consequences of an unpleasant nature resulting from the purchasing of the product ([Bauer, 1960](#); [Rehman et al., 2020](#)) and perceived uncertainty is associated with perceived risk ([Shimp & Bearden, 1982](#)).

## **2.2. Impact of Coronavirus on Entrepreneurship**

Businesses around the world are facing significant restrictions due to heavy pressures caused by the coronavirus pandemic, which lead to shortages in the demand of product and services and are affected by the behavior of consumers. Entrepreneurs are considered change agents providing the main source of hope for many. In order to enhance economic activity, entrepreneurs are required because they offer better solutions to problems that may rise in the market. The coronavirus pandemic has indirect effects including import and export delays that impacts trade movement all over the world. It has led to more stress and tensions in the global business environment. Such stress has come from the changes required to keep competitive advantage and at the same time, to protect individual's health. Businesses found that there was an impending need to alter their strategies to an online platform with the aim to access a greater number of customers. For many businesses that work through traditional face-to-face interaction, there became a prudent necessity to change present business practices. Some entrepreneurial businesses have been able to transform more quickly than others because of the environmental changes. The reason for this is represented in the desire of business leaders to be in the marketplace, while also respecting the required regulations. This has led to great tension amongst businesses due to the necessity to change quickly. Despite the definition that entrepreneurs grow from uncertainty, the pandemic has led to a large amount of uncertainty from a variety of different sources. This illustrates that there is still uncertainty about whether there is a need for future changes or whether the changes conducted are enough. Prior to 2020, most entrepreneurs depended on market uncertainty, yet the current pandemic constitutes market, health,

and social uncertainty thereby indicating a need for strong leadership about the changes required by businesses.

Considering that the coronavirus is a zoonotic disease, meaning that it originated from an animal and spread to human, there is a high degree of uncertainty surrounding the origins of the disease, which creates mass tension. The shortage of knowledge in the search for a cure or vaccine has led to further stress. As individuals are spending more time online, it has changed the way businesses provide their services. Social media and especially online communities are strategies that businesses are utilizing to communicate with their customers. Individuals now have much more time to spend on artistic or creative ventures and are establishing social media pages where online communities have flourished as a safe method to interact with other individuals. Importantly, new kinds of products such as facemasks are being made to meet the changing societal requirements and needs.

### **Strategic Management Theory in a Post-Pandemic and Non-Ergodic World**

*From time to time, organizational environments undergo cataclysmic upheavals – changes so sudden and extensive that they alter the trajectories of entire industries, overwhelm the adaptive capacities of resilient organizations, and surpass the comprehension of seasoned managers. (Meyer et al., **1990**, p. 93)*

This quote, written 30 years ago, describes the pandemic environment in which the world exists today. As Meyer et al. (**1990**) explained, such quantum discontinuous changes require entrepreneurial responses. In the ongoing Covid-19 pandemic, firms must devise strategies to deal

with short-term discontinuities and significant uncertainty to survive. After the pandemic eases, longer-term strategic changes may be needed to navigate the competitive landscape arising in the 'New Normal' which has resulted from technological, socio-political, and institutional changes (Ahlstrom et al., **2020**) that resemble the causes of environmental jolts explained by Meyer et al. (**1990**). This New Normal is unlikely to be a static equilibrium, because the pandemic shock has triggered another unexpected dynamic. As Nobel Laureate Douglass North (**1999**) explained, we now exist in a non-ergodic world in which the new equilibrium after major disruptions continues to change thereafter, similar to dynamic equilibria in open systems. Thus, firms need new and more flexible strategies to achieve what North described as adaptive efficiency. While it is unclear which changes caused by the pandemic will persist, it seems evident that certain aspects of the business environment will change with the current crisis serving as a tipping point. Hence, this new environment (during the pandemic and thereafter) begs the question 'How does strategic management theory help us understand how firms can navigate the New Normal?'. We examine two main strategic management theories prominent in the field for the last three decades – resource-based theory and agency theory – in light of the opportunities and challenges likely to emerge in the non-ergodic New Normal environment, and comment on implications for strategic management more broadly.

### Resource-Based Theory

We begin with one of strategic management's most influential theoretical perspectives, resource-based theory (RBT). Although the disruption has been more significant for some firms and industries than others, firm resources are critical for surviving the pandemic and the

resulting economic disruption. In the short term, financial resources are needed for survival. Because of the lockdowns and severe recession, many firms suffered severe declines in revenue and as a result, experienced significant cash-flow problems. Thus, they have had to deplete cash reserves or access cash from other sources (e.g., leverage and/or the sale of assets) to remain solvent. For many firms, survival (i.e., existing competitive advantage and its value appropriation) has become a more pressing concern than long-term sustainable competitive advantage from valuable, rare, inimitable, and non-substitutable (VRIN) resources. This short-term shift in priorities has been strengthened by the threat-rigidity effect, which suggests that firms respond to challenges by curtailing new innovation and narrowing their focus to what has worked in the past (Staw et al., **1981**). As a result, many firms have curtailed risk taking and reduced their focus on long-term strategic commitments in favour of short-term objectives, primarily focusing on survival.

Yet, firms also must prepare for the New Normal environment that will ensue in the post-pandemic period. Many firms have shown an ability to adapt to the pandemic in the short term, but they likely will require different resources and new ways to use them in the long term. Thus, resource orchestration takes on added importance. Firms may require more flexible resources and new capabilities to compete in the new environment which includes a rapidly changing competitive landscape. Firms may need to focus less on resource attributes (VRIN) and more on routines and processes that allow them to reconfigure resources and capabilities to operate effectively in the new environment, in order to achieve the adaptive efficiency envisioned by North (**1999**). Commonly, routines evolve over time as firms learn what is needed to



adapt. However, when environmental jolts and disruptions occur, routines also must change quickly to allow firms to acquire/develop new resources and bundle them to create new capabilities rapidly (Sirmon et al., **2007**, **2011**). Thus, firms must possess or rapidly develop dynamic capabilities to manage their resources more flexibly and effectively (Eisenhardt and Martin, **2000**; Teece, **2007**).

Fixed assets, especially those that are location bound, historically have been viewed as a source of competitive advantage. However, these assets are difficult to redeploy for alternative uses. Some firms may need to obtain more liquid and adaptable resources, which can support the reconfiguration of other resources. As one example, the stock of expensive office space, stores, or market-seeking resources that firms have developed over decades may be less essential or may become a liability in the pandemic and post-pandemic environment, as employees and customers become increasingly willing and able to perform activities (e.g., work and make purchases) remotely. Because intangible resources often are more flexible, they likely will take on added importance. Technology and human capital are perhaps the most critical resources on which redeployment and reconfiguration efforts depend. Thus, they may be critical for creating new capabilities to deal with the expected uncertainty in the New Normal environment. For example, Rindova and Courtney (**2020**) argued that firms can develop adaptive strategies or shaping strategies to deal with uncertainty. Whereas adaptive strategies help firms to identify attributes of uncertain markets and environments and to design ways to respond, shaping strategies help firms identify opportunities created by the uncertainties and exploit them proactively (Eisenhardt, **in press**). Ironically, although firms must innovate to compete in the New

Normal environment, the economic recession and decline in the collocation of human capital (e.g., due to the increase in remote workers) has made innovation more difficult. Thus, although shaping strategies might be more important in the longer term, they also are more challenging and riskier. These observations suggest the following potential research questions:

1. How do firms develop dynamic capabilities that allow them to change their resources and capabilities rapidly in the New Normal environment?
2. How do firms avoid inertial tendencies and attempt to reduce their exposure to risks during major and difficult-to-foresee economic disruptions?
3. Which firms earn higher returns over the longer term: those that engage in adaptive strategies or those that engage in shaping strategies during major economic disruptions?
4. How might firms facilitate innovation, an activity often viewed as location bound, to a remote work environment?

## Agency Theory

Agency theory's primary focus is the relationship between principals and agents. Agents sometimes act in their own interests rather than in principals' interests. Most agency theory arguments centre on actions to maximize shareholder (principal) value (Keum, **2020**). One issue of debate, even before the pandemic, was short-term versus long-term value. Some management scholars have been critical of firms emphasizing short-term financial returns over long-term value (Porter and Kramer, **2011**). The pandemic has highlighted the debate because many firms chose to focus on survival in the short term, yet, they still

face pressures to identify different strategies to succeed in the long term. Due to the uncertainty caused by the pandemic, ensuring that managers (agents) emphasize owners' interests has become more critical yet also challenging, because resources are scarce, firm survival is threatened, and some managers' jobs are at risk. Moreover, most owners and managers lack experience with events like the pandemic, which makes it more difficult for them to identify strategic decisions and actions that maximize shareholder value. The usual cognitive processes and heuristics to achieve and evaluate this outcome may be less effective due to the unprecedented disruption.

Although concern for non-owner stakeholders, such as customers, employees, and the community, has increased recently, the pandemic has heightened this concern. The economic disruption has harmed some of them severely, creating new questions about and focusing more attention on firms' responsibilities to these stakeholders. As a result, stakeholder theory is likely to be more important in the post-pandemic period and may serve as a critical complement to agency theory. Shareholders' short-term returns may be less important than preserving the firm's reputation and integrity and taking actions that protect the firm's potential to create value in the long term, especially in the New Normal environment. Consistent with this view, Barney (**2018**) argued that treating shareholders as the firm's only residual claimants is inconsistent with RBT's logic on profit appropriation. He argued that non-owner stakeholders must receive value before the shareholders, because the support of such stakeholders is necessary to create value in the first place. These arguments challenge historical emphasis in agency theory research on executives and shareholders to the exclusion of other stakeholders. Moreover, Barney and Mackey (in

**press**) argued that stakeholders should be viewed as complementors because more value is created when they work together than when they work separately. Thus, like these scholars, we recommend integrating stakeholder theory more thoroughly into theories of the firm.

The notion of multiple stakeholders as residual claimants strongly influences the application of agency theory because all important stakeholders can be viewed as principals each with different claims (McGahan, 2020). This discussion also shows that RBT and agency theory are linked, especially through the appropriation of profits. These observations suggest the following potential research questions:

1. Why has the pandemic harmed some stakeholders more than others? How can managers respond effectively to these effects and mitigate them in the future?
2. How do managers build and maintain relationships with multiple principals that make different claims on firms?
3. With multiple stakeholder principals, how do managers determine the appropriate distribution of value to each of those principals?

### Managing Strategically in a Post-Pandemic and Non-Ergodic World

The post-pandemic non-ergodic New Normal likely will continue to create significant complexity and uncertainty for managers. It may reveal boundary conditions for RBT, agency theory, and perhaps other theories (e.g., those emanating from industrial organization economics; Porter, **1980**) that help us understand and explain firm behaviours and performance. More broadly, to address the substantial changes occurring, firms must adapt to or shape their environments by

identifying, creating, and exploiting opportunities. The extension to and heavier emphasis on resource orchestration, rather than specific resource attributes, illustrates an outcome of these boundary conditions. Likewise, the complexity and uncertainty may reduce the value of single-purpose theories, such as agency theory, and heighten the value of more systemic theories, such as stakeholder theory. Along these lines, Harrison (**2020**) argued that understanding value creation in this new non-ergodic world requires the integration of theories that explain systems, resources, and stakeholders. And, recently, Hitt et al. (**2020**) found that firms within dynamic, uncertain environments were more willing to engage in riskier entrepreneurial strategies (e.g., shaping) versus more incremental advantage-based strategies (e.g., adapting) when they had developed strong relational capital with important stakeholders.

Organizational hybridity, which is an integration of different strategies, logics, and structural forms (e.g., structural flexibility) to manage complex problems, may be required to manage resources and stakeholders more effectively in the post-pandemic era. Additionally, firms need the agility to design and implement strategic changes effectively, which requires fluidity, speed, and mindsets that encourage innovative thinking and resilience. Thus, the sensing, seizing, and transforming components of dynamic capabilities (Teece, **2007**) are even more complex in this New Normal environment. These efforts depend importantly on the skills of firms' managers (dynamic managerial capabilities – Adner and Helfat, **2003**). And, while top executives have similar levels of cognitive capabilities (Hitt and Tyler, **1991**), developing and leveraging new dynamic capabilities also require harnessing the cognitive and emotional skills

of the top management team and other critical stakeholders inside and outside the firm (Hodgkinson and Healey, **2011**). The substantial uncertainty and increasing emphasis on stakeholders as principals require supra-dynamic managerial capabilities to create organizational hybridity and to manage the complex resource acquisition, and organizational capability development processes (i.e., resource orchestration) needed to agilely design and implement innovative strategic changes in the New Normal non-ergodic world.